

Asia FX Talking: North Asian FX set to outperform

The renminbi has been out of the market's focus for a couple of months now. Chinese policymakers will appreciate that, and assuming nothing untoward happens with US tariffs in August, we favour continued modest appreciation. Looking at our forecasts, we prefer the stories for North Asian FX currencies



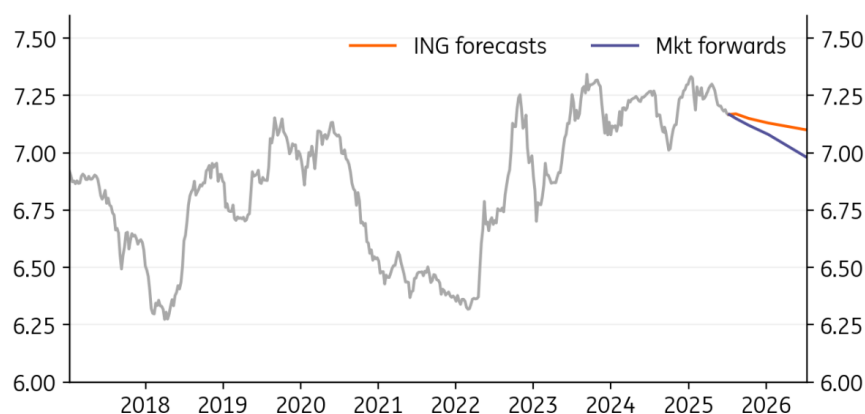
Main Asia Asia FX Forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.17 ↑	1350 ↓	85.50 ↑
3M	7.15 ↑	1325 ↓	86.00 ↓
6M	7.13 ↑	1325 ↓	86.50 ↑
12M	7.10 ↑	1300 ↓	88.00 ↑

USD/CNY: CNY extended period of calm ahead of August catalyst

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.1674	Neutral	7.17	7.15	7.13	7.10

- USD/CNY continued its period of calm, with last month's trading range quite narrow between 7.16-7.19. The CNY continued to weaken on a trade-weighted basis on the month.
- With no heavy pressure in either direction, the People's Bank of China's countercyclical factor was neutral over the past month. US-China yield spreads narrowed amid more dovish expectations for the US, while China Government Bond yields were little changed.
- A sleepy start to the summer could be disrupted in the month ahead, with looming August tariff deadlines both globally and possibly for China as well. Nonetheless, the PBOC has shown commitment to stabilisation in both directions, and we continue to hold our call for a 7.00-7.40 fluctuation band for the year.

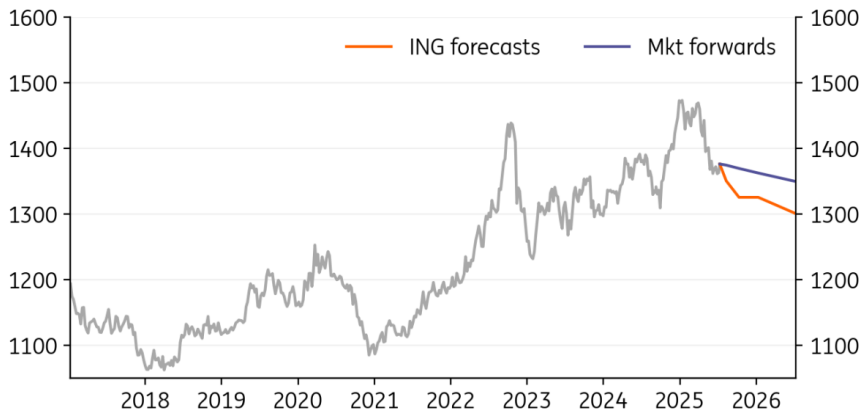


Source: Refinitiv, ING forecasts

USD/KRW: Trade tensions are taking centre stage for a weaker KRW

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,375.7000	Mildly Bearish ↘	1350.00	1325.00	1325.00	1300.00

- The Korean won softened quite meaningfully in early July as trade tensions escalated. We don't expect the KRW to go back to near 1,400 levels as the domestic uncertainty factor has dissipated.
- The Bank of Korea paused its rate cuts in July over concerns about rapidly rising housing prices. Yet, a negative GDP gap is likely to continue, thus additional cuts will be needed but once they confirm the slowdown of the housing market.
- Uncertainty surrounding tariffs will be a key swing factor in the near term. Short-term volatility is expected depending on the US Korea trade negotiations.

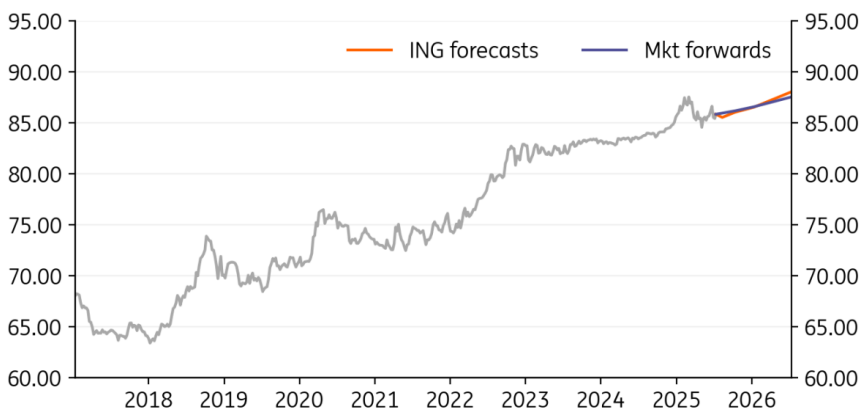


Source: Refinitiv, ING forecasts

USD/INR: INR likely to remain strong

	Spot	One month bias	1M	3M	6M	12M
USD/INR	85.8100	Mildly Bearish ↘	85.50	86.00	86.50	88.00

- India's rupee remains largely unchanged on a month-on-month basis but witnessed a volatile month largely because of the spike in global oil prices in June and as the Reserve Bank of India likely refrained from intervening in the FX market.
- India's exclusion from recent US tariff letters suggests it may be next in line for a trade deal, potentially boosting exports in textiles and electronics and lifting investor sentiment.
- FII inflows into equity rose to a nine-month high of US\$2.3bn. FII inflows into bonds weakened but remained positive. We expect INR to trade with a strengthening bias in the near term unless India gets hit by higher tariffs compared to the region.

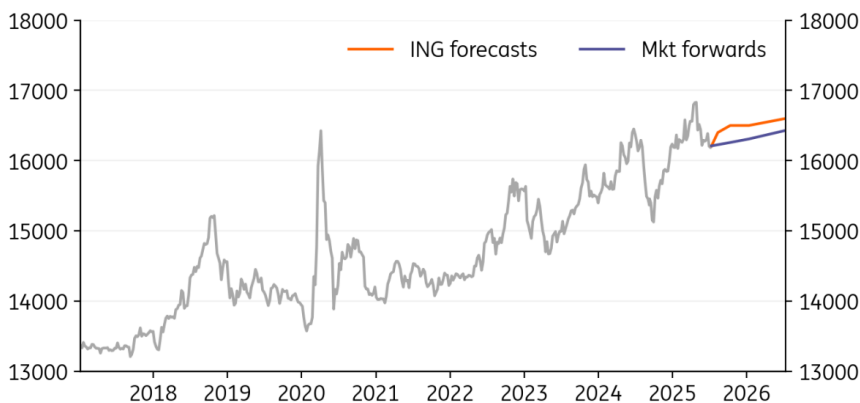


Source: Refinitiv, ING forecasts

USD/IDR: IDR is stabilising, helped by foreign inflows

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	16,210.000	Mildly Bullish ↗	16400.00	16500.00	16500.00	16600.00

- Inflation remains contained and the local currency stable, giving room for Bank Indonesia to cut rates further. However, Indonesia’s tariffs remain elevated at 32%, adding to investment uncertainty. Combined with domestic policy ambiguity, this raises the risk of deeper-than-expected rate cuts that could impact IDR later in the year.
- We remain relatively unconcerned about Indonesia’s current account, as slowing exports are likely to be offset by weaker import demand. While FDI remains soft, FII inflows in debt have gained momentum.
- The recent appreciation in the IDR seems less driven by direct BI intervention, as FX reserves remained largely unchanged, suggesting the central bank is comfortable with current levels.

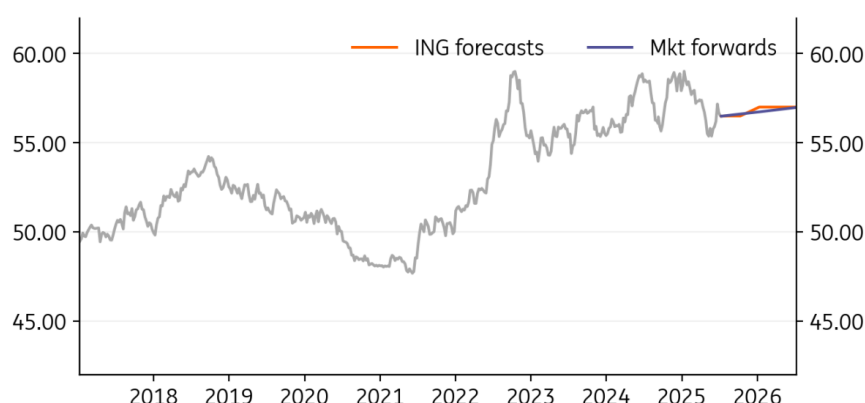


Source: Refinitiv, ING forecasts

USD/PHP: Headwinds from over-valuation and wider fiscal deficit

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	56.4900	Neutral	56.50	56.50	57.00	57.00

- The Philippine peso underperformed last month, slipping 1% against the USD. While Trump's tariff hike on the Philippines—from 17% to 20%—was unexpected, the FX market largely shrugged off the news.
- Falling rice and oil prices, along with easing currency pressures, should keep CPI inflation contained. We maintain our forecast for two more 25bp rate cuts in the third and fourth quarters, ending 2025 at 4.75%, driven by softer inflation and downside growth risks.
- While PHP may benefit from USD weakness, we think REER overvaluation and fiscal deficit concerns will continue to remain headwinds. Considering shifting fiscal dynamics, the government raised its 2025 fiscal deficit target to 5.5% of GDP, up from 5.3%.

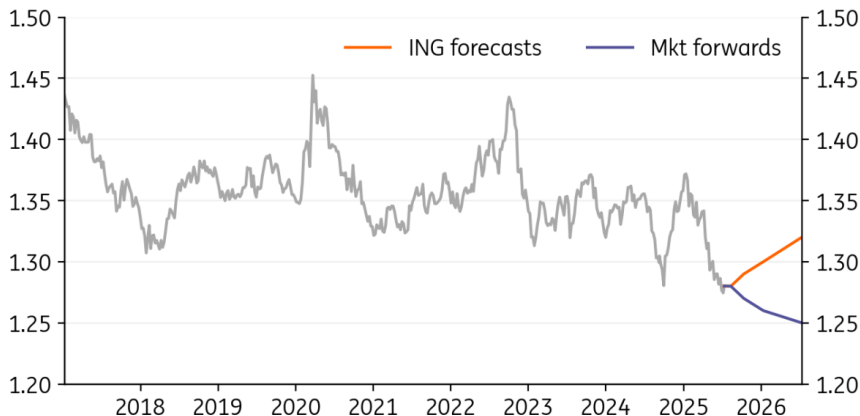


Source: Refinitiv, ING forecasts

USD/SGD: SGD outperformance to fade gradually

	Spot	One month bias	1M	3M	6M	12M
	1.2801	Neutral	1.28	1.29	1.30	1.32

- Singapore's dollar continued to appreciate against the USD and remained one of the top-performing currencies in the region, taking the currency overvaluation to higher levels even as growth and inflation indicators remained weak.
- We expect this outperformance to continue in the near term, with Singapore seen as a safe haven amid tariff uncertainty. As one of the region's most trade-dependent economies, it stands to gain if the 10% US tariff rate is maintained.
- However, we expect the Monetary Authority of Singapore to ease monetary policy further this month by reducing the slope of the policy band, which should mean that the NEER overvaluation gradually corrects over the course of the second half of the year.

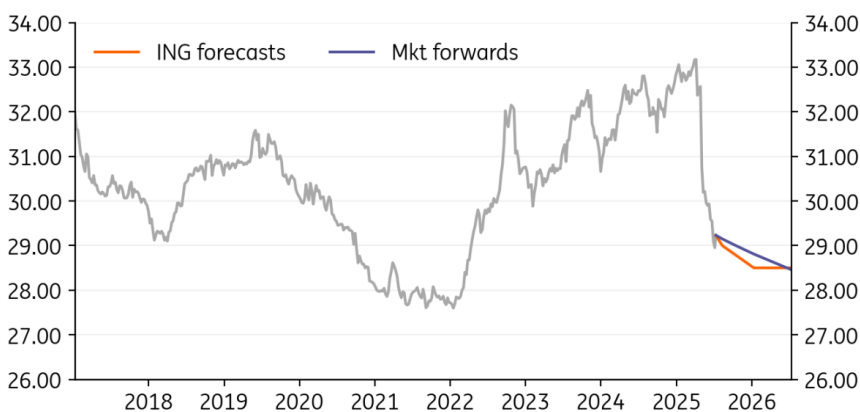


Source: Refinitiv, ING forecasts

USD/TWD: TWD rally continued to unfold

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	29.2300	Mildly Bearish ↘	29.00	28.80	28.50	28.50

- The Taiwan dollar continued to strengthen over the past month, with the USD/TWD pair reaching a new low of 28.8 before rebounding back above 29 in the following days.
- Domestic drivers of the TWD supported further appreciation. Equity market net inflows accelerated over the past month, and yield spreads slightly narrowed over the past month. The Central Bank of the Republic of China remained on hold as expected in June.
- After several months of TWD strengthening, we still continue to hold a slight appreciation bias, but risks to the short-term outlook are now more balanced than they have been in the past few months.



Source: Refinitiv, ING forecasts

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